



Kathleen M. Linehan

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CONFIDENTIAL

TO: Distribution

RE: USTR - TOBACCO EXPORTS

We have looked into the issue of the USTR developing a new "health" policy with respect to tobacco trade. According to Charlene Barshefsky, Deputy Trade Representative, this issue is not a priority, has no time line, and is currently being dealt with at a technical level. While acknowledging that tobacco does cause some discomfort for some within the Clinton Administration and concerns have been raised, she emphasized that nothing will happen suddenly and that there will be opportunity for all sides to present their views.

She has put Chris Marcich, Acting Assistant USTR for Trade and Environment, in charge of organizing a group to review the issue. Marcich will be working with Don Phillips, Assistant USTR for Industry on the project. According to Marcich, he has not begun to organize the group which will include U.S. Department of Agriculture, HHS and other government personnel. He characterized the work to be done as routine for a new Administration. They will inventory past trade actions and then determine whether there is any need for a change in policy. They have no specific agenda or "goals". He noted that USTR has always handled tobacco issues from a "trade perspective." He said that there were many more priorities and that this review might not be done by the end of the year. He urged us to stay in touch but did not think anything would be underway for a month. Marcich has spent the last three years in Brussels for USTR working on tariff issues.

We will contact officials at the US Department of Agriculture who would be involved in this inter-agency review. In addition, once the New Yorker article is published, we will try to determine what if any effect it might have on the issue. A briefing by Philip Morris will be appropriate once Marcich is organized.

Distribution: Geoff Bible
Craig Fuller
Don Nelson
Lee Pollak

Owen Smith
Bill Webb

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